

CHAPTER III

POSITION CLASSIFICATION , PAY AND ALLOWANCESA. GENERAL POLICY

1. Hourly Paid Employees. Rates of pay for hourly paid employees shall be determined on the basis of the duties and responsibilities of the jobs and commensurate with prevailing rates in the immediate locality of employment for comparable work in similar enterprises in the private sector. Locality wage surveys, at approximately annual intervals, will serve as the basis for adjustments of pay rates.

a. Within the applicable pay plan, **NAFI** wage policies specified herein shall be uniformly applied by all DoD Components to ensure that **NAFI** employees receive similar pay treatment within a wage area for work of substantially similar difficulty and responsibility. **P.L.** 92-392 established the **NAFI** Federal Wage System (**FWS**) for prevailing rate Crafts and Trades (CT) employees of the Federal Government.

b. In accordance with the provisions of **P.L.** 92-392, the Office of Personnel Management (**OPM**) has issued FPM Supplement 532-2, which contains detailed procedural instructions for the operation and implementation of the wage system for **NAFI** CT employees. The DoD Wage Fixing Authority (the pay fixing authority for **NAFI** employees within the DoD) has administratively extended certain of the principles of **P.L.** 92-392 and OPM instructions to cover Administrative Support (AS) and Patron Services (PS) positions, hourly paid positions not covered by **P.L.** 92-392.

c. This Chapter and FPM Supplement 532-2 contain the policy and procedural guidance for the administration and operation of the wage system for **NAFI** CT, AS and PS employees. (Exception: Employees of the National Security Agency whose Director, in accordance with DoD Directive 5100.23, is authorized to fix rates of pay for certain employees of that agency.)

2. Salaried Employees. The DoD Wage Fixing Authority has also established the Universal Annual (**UA**) salary system which covers employees in managerial, executive, technical, and professional positions.

3. Fair Labor Standards Act (**FLSA**)

The provisions of the Fair Labor Standards Act, as implemented by the OPM in the series of FPM **551** letters, are applicable to all DoD **NAFI** employees, including off-duty military personnel, who are employed by **NAFI**s in those geographical areas covered by the **FLSA**, as amended. The minimum rate to be paid these employees may not be less than the current Federal minimum wage or the applicable State or municipal wage, whichever is higher. (Refer to Chapter VII, regarding pay for **NAFI** employees in foreign areas.)

4. Dual Compensation. The provisions of 5 **U.S.C.** 5531, 5532, and 5533 (Dual Compensation Act of 1964, **P.L.** 88-448) pertaining to **dual pay** and **dual** employment are applicable to employees of DoD **NAFI**s.

5. Prohibition on Personal Service Contracts. Personal service contracts may not be used to effect an appointment to a job that requires employing an individual on a continuing basis. Such positions shall be graded and paid under the appropriate schedule of the DoD Wage Fixing Authority.

6. Extra Pay. No **salary** or other supplementation of wages shall be provided to or accepted by any NAF employee. This provision does not affect in **any** way the existing special schedules such as tip and similar commission pay plans, or the executive and other pay plans approved by the ASD (**FM&P**). Neither does it affect the existing methods of distributing service charges provided for in special functions contracts and paid to service employees working the special functions.

7. Travel and Transportation. When it is clearly in the interest of the NAFI, expenses for essential travel and transportation of employees and their dependents shall be allowed in amounts not to exceed those prescribed in Volume 2 of the Joint Travel Regulations (**JTR**). Travel and transportation shall be paid, when appropriate, under the **JTR** to employees assigned duties associated with area wage surveys. Heads of DoD Components and the Commander, AAFES, have approval authority for all matters covered by Volume 2, JTR. Heads of DoD Components and the Commander, **AAFES**, may authorize specific exceptions only when it is in the best interests of the Component.

8. Round-Trip Travel Pursuant to a Permanent Change-of-Station (PCS). **When** authorizing round-trip travel between the old and new duty station to seek a permanent residence, more than one trip may be authorized the employee or spouse or both provided that the total trips combined do not exceed 10 days and the travel expenses for all trips do not exceed the constructive cost of one round trip.

9. Mileage Rates for PCS. The mileage rate when using a privately owned **vehicle (POV)** for permanent change of station (PCS) travel **shall** be the same as that prescribed in Volume 2 of the JTR, for TDY travel, regardless of the number of occupants in the vehicle.

Authorization of this benefit is limited to those employees covered by an unconditional mobility agreement as a condition of employment.

10. Separate Maintenance Allowance (SMA) for PCS Transfers. DoD Components may pay a Separate Maintenance Allowance (**SMA**) to UA employees who transfer nonlocally and who maintain separate households for minor dependent children so that they can finish the school term at the old duty station. The allowance shall be paid for no more than one semester, except that it may be paid for a full school year when the dependent is a high school senior. Maintaining a separate household means any living arrangement at the old duty station where the employee is paying a monthly amount for room and board for the dependents. The allowance shall be in the same amount as those prescribed by the Department of State for overseas employees receiving SMA for dependents living in the Continental United States (CONUS). Employees stationed in foreign overseas areas may receive SMA for other reasons as prescribed by the Department of State.

11. Relocation Assistance Allowance. Heads of DoD Components and the Commander, Army and Air Force Exchange Service; may authorize relocation allowances to employees and new hires.

B. SPECIFIC POLICIES

1. Organization and Responsibilities

a. DoD Wage Fixing Authority. DoD Directive 5120.39 establishes the DoD Wage Fixing Authority and DoD Directive 5120.42 defines its authorities and responsibilities in determining pay for employees paid from DoD nonappropriated funds. The DoD Wage Fixing Authority is authorized to communicate directly with DoD Components or their subdivisions concerning any matter where a mutual interest or responsibility exists.

b. DoD Components. DoD Components (with the exception of the National Security Agency) shall comply with the requirements of the NAFI Position Classification, Pay and Allowances System, and ensure that the Commander and General Managers (**AAFES**) discharge the **responsibilities assigned to them** for administration of the system.

c. Installation Commanders or General Managers of the Army and Air Force Exchange Service (AAFES). Installation Commanders or General Managers of AAFES shall, as delegated by DoD Component headquarters, determine NAF pay category, title, and codes for jobs; apply job grading standards and pay; and administer authorized wage rates for their NAFI employees.

2. Compensation

a. Pay Plans - Coverage. NAFI employees shall be compensated under one of the following pay plans:

(1) Hourly Pay Plan

(a) Compensation for an employee in a recognized trade or craft, or other skilled mechanical craft, or in an unskilled, semi-skilled, or skilled manual labor occupation and for any other individual, including a foreman and a supervisor, in a position having trade, craft, or laboring experience and knowledge as the paramount requirement, shall be fixed and adjusted from time to time, consistent with the public interest in accordance with prevailing rates. These rates are determined by a survey of wages paid by private employers to full-time employees doing comparable work in a representative number of retail, wholesale, service, and recreational establishments in the immediate locality of employment and engaged in activities similar to those of **NAFIs** for which the survey is made.

(b) Compensation for an employee in an Administrative Service position (clerical, administrative, fiscal, sales) **or** Patron Service position (retail selling, providing recreation, amusement and personal services, child care) shall be fixed and adjusted from time to time, consistent with the public interest, in accordance with prevailing rates. Rates are determined by a survey of wages paid by private employers to **full-time** employees doing comparable work in a representative number of retail, wholesale, banking,

insurance service, and recreational establishments in the immediate locality of employment and engaged in activities similar to those of the **NAFIs** for which the survey is made.

(2) Annual Salary Plan. Compensation for employees in managerial, executive, technical, or professional positions shall be on an annual basis.

(3) Increased Minimum Rates, Special Pay Rates, and Special Schedules.

(a) When prevailing rates for specific types of **NAFI** jobs are so much above the maximum rates for those jobs on the **NAFI** wage schedules that recruitment and retention of well-qualified individuals are significantly handicapped, increased minimum rates or special rates, as appropriate, may be approved. Local activities may recommend to the Wage Fixing Authority the increased minimum or special rates to be applied to specific jobs in the local area, using the procedure contained in Appendix E to document the basis for such recommendations. To be considered for approval by the Wage Fixing Authority, recommendations for increased minimum or special rates must be documented further to show coordination with other **NAFI** employers in the local area. The Wage Fixing Authority shall coordinate with DoD Components at the headquarters level, before acting on recommendations for increased minimum or special rates. DoD Components may require that all recommendations for increased minimum or special rates have prior approval at the command and headquarters level, or permit such recommendations to be submitted directly to the Wage Fixing Authority.

(b) Existing authorized special schedules shall be continued and adjusted under current **NAFI** practices pending decision by the OPM or the Department of Defense on the most appropriate treatment for these special schedules. Prior approval of the DoD Wage Fixing Authority is required to establish new special schedules.

(c) Pursuant to the provisions of the **FLSA**, as amended, the cost of furnishing employees with board, lodging, or other facilities may be included in the wages paid to employees if **such** board, lodging, or other facilities are customarily furnished by the employing **NAFI**.

(d) Compensation for summer and student employment shall be in accordance with the rates-of-pay schedule issued by the Department of Defense.

(4) Pay for **NAFI** Employees in the Panama Canal Area

(a) The basic principles governing pay of all **NAFI** employees in the Panama Canal Area are contained in the Panama Canal Act of 1979, and in regulations promulgated by the Secretary of the Army.

(b) Regardless of nationality, **NAFI** employees employed in the Panama Canal Area shall be paid at the scheduled salary or wage rate specified for the position.

b. Pay Determination Procedure. Instructions for conducting wage surveys and ~~establishing~~ wage rates and wage schedules for DoD **NAFI** hourly paid

employees are contained in Chapter III, subsection **B.2.**, of this Manual and FPM Supplement 532-2.

c* Job Grading

(1) Based on the **duties** and responsibilities assigned ^{NAFI} positions by component authority, DoD Components are responsible for placing, or establishing the means for placing, each position in its proper pay category and for assigning to each position a title, code, and grade based on application of directly or closely related job-grading standards consistent with the policies stated in this Manual.

(2) The DoD NAF Personnel Policy Office has final authority for determining the title, series, grade, and pay category for positions in the Universal Annual, Administrative Support, or Patron Service pay categories. Unresolved issues of this nature shall be submitted to the DoD NAF Personnel Policy Office for final determination.

(3) DoD Components shall establish and administer agency NAF job-grading appeals systems.

d. Pay Administration

(1) Hourly Pay plan

(a) In pay matters, except those dealing with grade and pay retention, the provisions of FPM Supplement 532-2, Subchapter s8, augmented by Appendix D of this Manual, shall apply to all hourly paid nonappropriated fund employees.

(b) For grade and pay retention determinations, ^{FPM} Supplement 532-2, Subchapter S9; FPM Supplement 990-2, Book 536; subchapter VI of Chapter 53 of Title 5, U.S.C.; Part 536 of Title 5 C.F.R.; and FPM Letters and Bulletins in the 536 series contain guidelines applicable to FWS employees. There is no grade retention for AS and PS employees. Pay retention entitlement for any nonappropriated fund employee moving to or from AS or PS positions shall be determined in accordance with the following:

1 The employee shall:

a On the effective date of the change to lower grade, hold an appointment as a **Regular** Employee.

b Not have been changed to lower grade for personal cause, at his or her own **request**, or because the change to lower grade was a condition of a temporary promotion.

c Have served for 1 continuous year immediately before the change to **lower** grade in one or more positions under the same pay system for which the grade or rate is higher than the one to which demoted, or **in** one or more grades or positions for which the representative rate is greater than the representative rate of the grade to which demoted.

d Have a performance rating of satisfactory or better during the 1-year period.

2 When an eligible employee is changed to a lower grade, he or she shall retain~~the~~ the scheduled rate of pay immediately before the change to lower grade or 150 percent of the maximum rate of scheduled pay for the grade of the position after the change to lower grade, whichever is less.

3 An employee granted pay retention under this authority shall receive wage increases during the pay retention period. Such increases shall be granted whenever the wage schedule applicable to the position to which demoted is increased. The amount of increase shall be equal to the amount by which the rate for the maximum step of the new grade increases. If the new rate of pay is identical with or below the top step of the grade, the employee's rate of pay shall be fixed at the step of the grade that equals or exceeds the retained pay and pay retention then ceases.

4 Pay is retained under this policy for a period of 2 years, unless it is terminated earlier by one of the following conditions:

a A break in service of 1 or more work days.

b A later change to lower **grade** which is effected for personal reasons at the **employee's** request.

c Entitlement to a scheduled rate of pay that is equal to or higher than ~~the~~ retained rate because of another personnel action or normal operation of the pay system.

5 When an employee receiving a retained rate is further demoted during the 2-year retention period, he or she begins a new 2-year retention period on the date of the last demotion. The retained rate during the new 2-year period continues to be based on the original retained rate, but may not exceed 150 percent of the maximum rate of his or her grade after the later demotion.

6 When an employee receiving a retained rate accepts a temporary promotion to the same or a higher grade than that from which demoted, the temporary promotion does not affect the running of the pay retention period, which shall still end 2 years after the original demotion.

7 When an employee receiving a retained rate is to be permanently promoted to the same or higher grade than that from which demoted, he or she is entitled to be paid the lowest scheduled rate of the grade to which promoted that exceeds the maximum scheduled rate for the grade of the position from which promoted by at least 4 percent or the retained rate of pay, whichever is higher. If the employee's retained rate of pay exceeds the rate range for the grade of the position to which promoted, entitlement to the retained rate of pay continues for the duration of the original 2-year period or until terminated by one of the conditions specified in subparagraph **B.2.d.(1)(b)4**.

8 Upon termination of the 2-year pay retention period, the employee's rate of pay shall be adjusted to the maximum scheduled rate of the new grade.

(c) The provisions of the FLSA, as amended, and as prescribed by the OPM in a series of FPM 551 Letters, shall apply to all hourly paid NAFI employees in those geographical areas covered by the FLSA, as amended. The following additional guidance is provided on the application of the FLSA to AS and PS employees.

1 The following AS and PS employees are nonexempt in relation to the FLSA executive criteria:

a Nonsupervisory employees.

b Leader employees.

c Supervisory employees classified below the 7 level.

d Supervisory employees at the 7 level who perform work not directly related to their supervisory functions more than 20 percent of the time.

2 The following AS and PS employees are exempt from the coverage of the FLSA:

a Supervisory employees at the 7 level who perform supervisory and related duties 80 percent or more of the time, and who

b perform the following supervisory functions:

i Assume responsibility for planning and accomplishing a continuing workload which meets the intent of the recognized organizational unit requirements.

ii Regularly exercise discretion and independent judgment in planning, directing, and controlling the work.

iii Are responsible for significant personnel management duties.

(2) Universal Annual (UA) Salary Plan

(a) Basic compensation for employees in managerial, executive, technical, or professional positions (as defined in Appendix A) shall be administratively fixed and adjusted from time to time as nearly as is consistent with the public interest and equal with rates of compensation for appropriated fund employees in positions of comparable difficulty and responsibility, subject to the "General Schedule (GS)" (5 U.S.C. 5332). Heads of DoD Components shall adjust the rates of pay of UA employees when the rates in the GS are changed to ensure that NAFI pay rates are equal with GS rates for comparable work. The effective dates of adjustments shall be determined by the same method used for GS adjustments.

(b) The provisions of the FLSA, as amended, and as prescribed by OPM in a series of FPM 551 Letters shall apply to **all** NAFI UA employees in those geographical areas covered by the **FLSA**, as amended.

(c) There is no grade retention for UA employees. Pay retention entitlement for any nonappropriated fund employee moving to, from, or between UA pay system positions shall be determined under the same criteria as is contained in subparagraph **B.2.d.(1)** (b) for **AS** and **PS** employees. Pay determination procedures for permanent promotions between UA positions shall be those specified in Appendix A, section F.

(3) Allowances and Differentials

(a) The allowances or differentials, or both, established by OPM for civilian employees in certain nonforeign areas, whose pay is fixed by statute, and who are otherwise eligible, apply to NAFI employees paid from the UA Schedule. **Such** allowances or differentials shall be paid in accordance with the provisions of FPM Chapter 591.

(b) The allowances or differentials, or both, prescribed by Standardized Regulations (Government Civilians - Foreign Areas) issued by the Department of State, as amended, and as implemented by DoD 1400.25-M shall be paid to U.S. citizen employees recruited in the **United** States to work in a foreign area when such employees meet the specified eligibility requirements.

(c) Heads of DoD Components shall determine which, if any, allowances and differentials **to** prescribe for locally hired employees.

(4) Severance Pay

(a) RFT and RPT NAFI employees who have completed at least 12 continuous months of service with one or more **DoD NAFIs** and who then are separated involuntarily from employment because of **RIF**, base or post deactivation or reorganization shall receive severance pay, if not precluded by subparagraph **B.2.d.(4)** (c), below.

1 The amount of such remuneration shall be 1 week's basic pay for each **year** of continuous RFT or RPT service with one or more **DoD NAFIs** up to 4 years of service, for a maximum of 4 weeks of pay. This pay shall be based on the number of hours regularly scheduled to be worked during a week and **at** the rate received immediately before separation.

2 Time served as a regular employee with a NAFI as well as time served in active duty with the U.S. Armed Forces that interrupted the civilian NAFI service, shall be creditable for computing entitlement to severance pay.

3 Periods of employment before separation that resulted in severance pay shall **not be** considered in later severance pay entitlement calculations for subsequent separations.

(b) As an exception to subparagraph **B.2.d.(4)(a)**, **above**, Heads of DoD Components are authorized, at their discretion, to establish programs providing for the grant of additional severance pay to employees for

whom unlimited mobility has been made a condition of employment. Basic eligibility requirements are set forth in subparagraph B.2.d.(4)(a), above, and the amount of remuneration shall not exceed 1 year's pay at the rate received immediately before separation.

(c) Involuntarily separated employees shall not receive severance pay if **they**:

1 Are immediately employed in another regular NAFI position.

2 Have refused an offer of employment without loss of pay, employment **category**, and seniority in any NAFI in the same commuting area, or in the case of employees covered in subparagraph B.2.d.(4)(b), above, in any NAFI, regardless of commuting area.

3 Have immediately accepted employment in a continuing appropriated fund **position**.

4 Are immediately employed by a contractor whose contract replaces the **function** or services being performed by the employees.

(d) Severance pay shall not be paid to an employee eligible for an **unreduced** annuity.

3. NAFI Job-Grading System. Each DoD Component shall ensure that all NAFI positions within its jurisdiction are graded in accordance with the appropriate job-grading standards specified in paragraphs B.3.a., b., c., d., e., and f., below.

a. Noncovered Positions. Positions which are not covered by the OPM job-grading standards or by those published in DoD 1401.1-M-1, "Job Grading System Manual for Nonappropriated Fund Instrumentalities, " may be classified by application of related standards.

b. Standards. When no standards exist, a copy of the position description and the classification rationale for the action shall be forwarded promptly through Component Headquarters to the office of DoD NAF Personnel Policy for review and post audit.

c. Crafts and Trades. The OPM has developed and issued a job-grading system for NAFI positions subject to the provisions of P.L. 92-392 (that is, CT Category). Details of this system are contained in subchapter s6 of FPM Supplement 532-2. Job grading appeal procedures are contained in subchapter 7 of FPM Supplement 532-2. Job-grading standards for these jobs are contained in FPM Supplement 512-1. Supplemental guidelines are included in DoD 1401.1-M-1.

d. Administrative Support (AS) and Patron Services (PS). The DoD has developed and issued job-grading systems for NAFI positions not subject to the provisions of P.L. 92-392 (that is, AS and PS). Details of these systems and **job-grading** standards for these categories of jobs are contained in DoD 1401.1-M-1.

e. Universal Annual (UA). For positions qualifying for inclusion in the UA salary plan, General Schedule Office of Personnel Management Classification Standards apply. Details on the plan, the grading of jobs and supplemental classification standards are included in DoD 1401 .1-M-1.

f. Classification of Supervisory and Managerial Positions. While size of the organizational unit **and** number of subordinates supervised may affect the grade of a supervisor or manager, these factors alone may not be used in determining the grade of such supervisor or manager. In grading these positions, other factors shall be considered, such as kind, difficulty, and complexity of work supervised; degree and scope of responsibility delegated to the supervisor; and kind, degree, and scope of the supervision exercised. A reduction in the number of subordinates or size of the organizational unit supervised may not be used under any circumstances as the sole basis for reducing the grade of a supervisory or managerial position. (A more detailed explanation of this policy is contained in subsection A.5., Chapter 4, of DoD 1401.1-M-1.)

4. NAFI Job-Grading Appeal

a. A NAFI employee may appeal at any time the grade, title, or series code assigned to his or her position, but not the job-grading standards established for the job nor other matters such as the accuracy of his or her job description, his or her rate of pay, or the propriety of a wage schedule rate.

b. Each DoD Component shall establish a position classification review and appeals system under the provisions of subchapter s7 of FPM Supplement 532-2 for CT jobs, and Appendix C **of** this Manual for AS, PS, **and** UA categories of jobs.